HEALTH RESEARCH ABSTRACT SUBMISSIONS #49

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Title of Research *	Do pharmacy bargaining activities affect their bargaining outcomes with insurers?
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Introduction & Purpose *	With the initiation of Medicare Part D, third-party reimbursements represent nearly 90% of the retail prescriptions. Controversy exists as whether independent pharmacies can negotiate with third party payers over reimbursement contracts. Our study aims to examine whether independent pharmacy bargaining activities, attributes and market structure affect their bargaining outcomes with third party Prescription Drug Plans (PDPs).

Experimental Design *

Following a theoretical bargaining model, the empirical analyses involved multivariate regressions using four sources of data: a national mail survey of independent pharmacies, National Council for Prescription Drug Programs (NCPDP) pharmacy database, the 2000 U.S. Census, and 2006 Economic Census Data. Information was collected on reimbursements, costs and cash prices of two popular drugs (Lipitor and Lisinopril) to calculate the pharmacies' share of the gross margin, which was used as the bargaining outcome. Independent variables included pharmacy bargaining activities, attributes, local market structure, and area socioeconomic characteristics.

Results *	Substantial variation existed in bargaining activities and reimbursements across independent pharmacies. For brand name drug Lipitor, pharmacy's share of the gross margin was significantly influenced by pharmacy's request for a change in a Medicare PDP contract (β=0.031), having best reputation (β=0.099), easiest access (β=0.067), local market pharmacy ownership concentration index (β=0.096) and area per capita income (β=-0.153). However, fewer significant factors were found for the generic drug.
Conclusions *	Pharmacy's request for a contract change, best reputation, easiest access, less competition and lower income level in the local market were positively associated with pharmacy's share of the gross margin for the brand name drug in PDP contracts. Our results suggest that independent pharmacies can acquire better reimbursements by improving their quality attributes and by engaging in active bargaining with third party payers.

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